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March 6, 2013

Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. SR-FINRA-2013-013 - Proposed Rule Change to Require Members to Report OTC Equity Transactions As Soon As Practicable, But No Later Than 10 Seconds, Following Execution

Dear Ms. Murphy,

The Financial Information Forum (FIF)[1] would like to take this opportunity to provide comments on SR-FINRA-2013-013, the proposed rule change to require members to report OTC equity transactions as soon as practicable, but no later than ten seconds following execution (the "Proposed Rule"). FIF respectfully requests that the Commission delay action on the Proposed Rule until such time as (1) the industry has a complete understanding of the recently announced OTC Reporting Facility (ORF) migration to a new platform; (2) additional cost/benefit analysis is performed to determine the impact of addressing capacity issues with ten second reporting on FINRA facility systems and other costs associated with this change; (3) accommodations for instances of manual trade reporting are considered.

Assess ORF Migration Impact

FINRA announced the ORF migration in a Technical Notice issued on December 3, 2012[2] which states: "The ORF will no longer operate on the NASDAQ OMX ACT technology platform, which today is the platform for both the ORF and the FINRA/Nasdaq TRF." While FINRA intends to leverage their TRACE platform for OTC equity trade reporting, equity trade reporting systems may require significant modifications to accommodate the new platform. FIF has raised a number of questions and concerns about the ORF Migration (see February 14, 2013 FIF Front Office Committee – ORF Migration Questions/Concerns included as an Appendix to this document) which FINRA is currently considering. FIF questions both the need and the impact of the ORF migration. The industry's lack of experience with the new platform raises concerns about firms' ability to meet new trade reporting timeframes.   FIF members believe that introducing new trade reporting rules prior to the migration of OTC equity trade reporting to a new platform is premature.

Perform Cost/Benefit Analysis of Addressing Capacity Issues at FINRA Facilities

The Proposed Rule discusses FINRA member concerns regarding queuing issues at FINRA facilities. FINRA's response to these concerns is, "given that the vast majority of trades today are reported within 10 seconds, FINRA does not believe that the proposed rule change will cause any queuing issues into the FINRA Facilities." While FIF agrees that in the vast majority of cases queuing does not occur, when firms review data on trade reporting submissions that are over ten seconds they do find queuing issues with FINRA facilities. FIF members

[1] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

[2] http://www.finra.org/Industry/Compliance/MarketTransparency/ORF/Notices/p197379

have noticed at the open, close and when submitting large baskets there has been queuing via both FIX and CTCI connections to the Nasdaq/FINRA TRF. For example, on February 20, 2013, a firm observed over 500 trades reported within ten to twelve seconds. On the same day, another firm observed over 10,000 late trades due to queuing even though the firm currently has ten ports. Other firms shared similar experiences during high volume submission periods. FIF members believe a more thorough analysis of queuing issues at FINRA facilities is warranted before proceeding with the Proposed Rule. It is important to recognize that simply purchasing additional ports would result in considerable expense for firms. For example, a firm with ten ports today may need to double their ports to accommodate these isolated high volume submission periods. The cost to such a firm just in monthly port charges would be an extra $60,000[3] annually on an ongoing basis simply to support traffic bursts that account for less than 1% of trade reporting. As part of the cost/benefit analysis, we ask that FINRA examine delays in trade reporting associated with single price opening, closing and re-openings. Similar to exemptions granted for Limit Up-Limit Down, it may be appropriate to maintain 30 second trade reporting during those times.

In addition to addressing capacity issues at FINRA facilities, it is important to note that firms will also need to undertake a thorough analysis of their trade reporting processes upon approval of the Proposed Rule. Moving to ten second trade reporting will impact not just trade marking but also monitoring and exception reporting. The costs incurred to perform this analysis and subsequent development and testing should be weighed against the benefits of addressing delays associated with less than 1% of trade reporting.

Accommodate Manual Trade Reporting

Also of concern to some FIF members are manual trade reporting submissions. As an example, in convertible bond trading terms are negotiated and agreed upon at which point the trader enters the quantity of stock and the trade is time stamped with an execution time. However, it may take the trader more than ten seconds to input and verify other data before submitting the trade to TRACE and ACT. While such trading represents a very small percentage of equity trade reporting, firms are unsure how they would enhance existing processes to meet a ten second trade reporting deadline. We ask that FINRA consider accommodations for manual trade reporting given the inherent difficulties in inputting all the fields associated with reporting a trade within a ten second timeframe.

Conclusion

FIF understands the importance of timely reporting for Limit Up-Limit Down reference price calculations and for transparency in general. However, the Proposed Rule acknowledges that reporting beyond ten seconds is a rare occurrence even under the current thirty second reporting requirement. FIF questions the need for additional resources to address these rare occurrences in light of the issues outlined above.

Sincerely,

Manisha Kimmel

Manisha Kimmel
Executive Director
Financial Information Forum

[3] Assuming FIX port charges of $500 per month based on NASDAQ Price List. This does not include any other additional costs including additional staff required to support these ports. Please note that the monthly cost for CTCI connections is $575 per month.

Appendix - FIF Front Office Committee
ORF Migration Questions/Concerns
February 14, 2013

The FIF Front Office Committee has reviewed the technical notices and specifications associated with FINRA's planned migration to a new platform for ORF. We have a number of questions and concerns that we would like to share with FINRA. We look forward to additional discussion with FINRA on these issues.

It is our understanding that to achieve the ORF migration, firms that support both NMS and OTC trade reporting through the TRFs will be required to do the following:

- Establish and maintain new ports to support a connection to the new platform.
- Perform a gap analysis between the new and current specifications.
- Code to new specifications. For some firms, there may be a need to support both CTCI and FIX.
- Establish new logic to bifurcate OTC and NMS security trade reporting.
- Ensure that current comparison and clearing functionality is supported on the new platform.
- Determine impact to compliance workflows relying on Equity Trade Journal and SuperCap and remediate policies and procedures appropriately.
- Train traders to work with new ORF interfaces.
- Establish procedures for updating trade reporting when a security moves from the OTC to NMS.
- Support similar functionality for OTC and NMS securities across two platforms.

Alternatives to Current Approach

1. Given the significant effort involved in performing the above tasks, has FINRA explored alternate means of achieving their goal of being on a new platform for OTC securities?
2. Are there ways to make this migration seamless from the broker dealer perspective? For example, could the front end reporting mechanism remain the same while the back-end platform migrates?
3. Was a cost-benefit analysis performed as part of the determination to move to a new platform?
4. Is there a regulatory requirement to move to a new platform?
5. Does FINRA have plans to also migrate trade reporting for NMS securities in the long term so that all trade reporting will be on the same platform and same message format? If so, have different paths to achieve that goal been considered?

Understanding New ORF Platform

6. Rather than each firm performing a gap analysis between the current and new specifications, will FINRA perform this gap analysis?
7. What will FINRA offer to replace the Equity Trade Journal which currently includes both OTC and NMS securities and is used for responding to regulatory inquiries?
8. What compliance tools will the new ORF platform provide? How will they integrate with NMS security compliance tools?
9. After the reporting moves to the new platform, what will be the mechanism to correct trades which were reported to the old platform? Given that corrections are allowed for up to one year, this will be an issue for some time.
10. How will the new platform support comparison?
11. How will the new platform support clearing including step-outs?
12. Will new Attachment #2s be required as part of the ORF migration?
13. Are there any other differences between the current and new platform that will impact the implementation effort associated with ORF migration?

Implementation Timing

14. Given the many regulatory initiatives proposed and approved for 2013, will FINRA consider moving this initiative to 2014 to allow firms to budget for this project? Relevant regulatory initiatives include Limit Up-Limit Down, Large Trader, and 10 Second Trade Reporting.